

TOWN OF OIL CITY LOUISIANA

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/3/11

**Marsha O. Millican
A Professional Accounting Corporation
Shreveport, Louisiana**

TOWN OF OIL CITY, LOUISIANA

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	5
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Governmental Activities in the Statement of Activities	8
Proprietary Fund:	
Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Net Assets	10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-29
Required Supplementary Information:	
Budgetary Comparison Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis) - Governmental Funds - General Fund	30
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (GAAP Basis) - Governmental Funds - Special Revenue Fund	31

TOWN OF OIL CITY, LOUISIANA

Table of Contents (Continued)

	<u>Page</u>
Other Supplementary Information:	
Schedule of Mayor and Aldermen's Compensation	32
Component Unit (discretely presented):	
Discretely Presented Component Unit - Statement of Net Assets	33
Discretely Presented Component Unit - Statement of Activities	34
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Corrective Action Taken on Prior Year Findings	37
Schedule of Findings	38



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

INDEPENDENT AUDITOR'S REPORT

The Honorable J. C. Dickey, Jr., Mayor
and Members of the Board of Aldermen
Town of Oil City, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and remaining fund information, which collectively comprise the basic financial statements of Town of Oil City, Louisiana, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not determined the fair market value of the assets contributed to the Water Fund (Proprietary Fund Type) by Caddo Parish Waterworks District No. 1. Accounting principles generally accepted in the United States of America require that donated assets be recorded at fair market value at the date of donation. Management has recorded the donated assets at their estimated book value. The amount by which this departure would affect the assets, net assets, and revenues of the Water Fund is not reasonably determinable.

In my opinion, except for the effects of not reporting contributed assets at fair market value at the date of donation for the Water Fund as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the Water Fund of the Town as of December 31, 2010, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

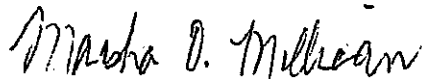
In addition, in my opinion, the basic financial statements referred to above present fairly, in all material respects the financial position of the governmental activities, the discretely presented component unit, the General Fund, the Special Revenue Fund, and the aggregate remaining fund information of the Town of Oil City, Louisiana as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Town of Oil City has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

The required supplementary information on pages 30 - 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the Town of Oil City's basic financial statements. The accompanying supplemental information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated July 6, 2011, on my consideration of Town of Oil City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Certified Public Accountant
July 6, 2011

TOWN OF OIL CITY, LOUISIANA

Statement of Net Assets
December 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lakeview Cemetery
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 251,764	\$ 161,239	\$ 413,003	\$ 18,271
Investments, at cost	846,161	141,478	987,639	175,914
Receivables (net, where applicable, of allowances for uncollectible accounts)	44,883	74,442	119,325	-
Prepaid expenses	8,421	-	8,421	-
Due from other funds	58,047	-	58,047	-
Total current assets	1,209,276	377,159	1,586,435	194,185
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	-	30,339	30,339	-
Bond issue costs, net of accumulated amortization	11,888	-	11,888	-
Capital assets, net of accumulated depreciation	2,568,492	365,246	2,933,738	30,775
Total noncurrent assets	2,580,380	395,585	2,975,965	30,775
Total assets	3,789,656	772,744	4,562,400	224,960
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	15,867	1,268	17,135	-
Payroll taxes payable	6,932	-	6,932	-
Due to other funds	26,371	31,676	58,047	-
Accrued expenses	5,285	-	5,285	-
Total current liabilities	54,455	32,944	87,399	-
Noncurrent liabilities:				
Deposits	-	46,130	46,130	-
Total liabilities	54,455	79,074	133,529	-
<u>Net Assets</u>				
Invested in capital assets, net of related debt	2,568,492	365,246	2,933,738	30,775
Restricted:				
Customer meter deposits	-	15,791	15,791	-
Unrestricted	1,166,709	312,633	1,479,342	194,185
Total net assets	\$ 3,735,201	\$ 693,670	\$ 4,428,871	\$ 224,960

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA
Statement of Activities
For the Year Ended December 31, 2010

Functions	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 370,663	\$ -	\$ 16,000	\$ -	\$ (354,663)	\$ -	\$ (354,663)	\$ -
Public safety	164,398	129,300	21,955	-	(13,143)	-	(13,143)	-
Sewer	46,186	26,874			(19,312)			
Capital grants	411,369			411,369	-	-	-	-
Depreciation	181,014	-	-	-	(181,014)	-	(181,014)	-
Total governmental activities	1,173,630	156,174	37,955	411,369	(568,132)	-	(548,820)	-
Business-type Activities:								
Water	430,348	589,883	-	-	-	159,535	159,535	-
Total Primary Government	\$ 1,603,978	\$ 746,057	\$ 37,955	\$ 411,369	\$ (568,132)	\$ 159,535	\$ (389,285)	\$ -
Component Unit:								
Lakeview Cemetery	\$ 9,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,100

General Revenues:

Taxes	382,307	-	382,307	-
Licenses and permits	29,331	-	29,331	-
Gain on sale of property	34,941	-	34,941	
Miscellaneous	79,561	26,224	105,785	1,166
Transfers	77,685	(77,685)	-	-
Total general revenues and transfers	603,825	(51,461)	552,364	1,166
Change in net assets	35,693	108,074	143,767	(2,834)

Net assets, beginning of year, as previously reported

	3,689,290	455,038	4,144,327	227,794
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Prior period adjustment (Note 11)

	10,218	130,558	140,776	-
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Net assets, beginning of year, restated

	3,699,508	585,596	4,285,103	227,794
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Net assets, end of year

	3,735,201	693,670	4,428,871	224,960
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The notes to the financial statements are an integral part of this statement

TOWN OF OIL CITY, LOUISIANA

Balance Sheet - Governmental Funds December 31, 2010

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 56,336	\$ 195,428	\$ -	\$ 251,764
Investments, at cost	265,868	580,293	-	846,161
Receivables (net, where applicable, of allowances for uncollectible accounts)	19,164	25,719	-	44,883
Prepaid expenses	8,421	-	-	8,421
Due from other funds	47,040	11,007	-	58,047
Total assets	<u>\$ 396,829</u>	<u>\$ 812,447</u>	<u>\$ -</u>	<u>\$ 1,209,276</u>
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable	2,673	13,194	-	15,867
Payroll taxes payable	6,932	-	-	6,932
Accrued salaries	5,285	-	-	5,285
Due to other funds	-	26,371	-	26,371
Deferred revenues	-	2,048	-	2,048
Total liabilities	<u>14,890</u>	<u>41,613</u>	<u>-</u>	<u>56,503</u>
<u>Fund balances</u>				
Reserved - prepaid expenses	8,421	-	-	8,421
Unreserved - undesignated	373,518	770,834	-	1,144,352
Total fund balances	<u>381,939</u>	<u>770,834</u>	<u>-</u>	<u>1,152,773</u>
Total liabilities and fund balances	<u>\$ 396,829</u>	<u>\$ 812,447</u>	<u>\$ -</u>	<u>\$ 1,209,276</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

**Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to the Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2010**

Fund balances - total governmental funds	\$	1,152,773
Amounts reported for governmental activities in the statement of net assets are different because:		
Delinquent taxes are recognized as revenue in the period for which levied in the government-wide financial statements, but are reported as deferred revenue (a liability) in governmental funds.		
		2,048
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Add - capital assets		5,392,409
Deduct - accumulated depreciation		(2,823,917)
Bond issuance costs are reported as expenditures in the governmental funds. These costs, net of accumulated amortization, are recorded as other assets in the statement of net assets		
		<u>11,888</u>
Net assets of governmental activities	\$	<u>3,735,201</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2010

	General Fund	Special Revenue Fund	Capital Revenue Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 111,667	\$ 277,060	\$ -	\$ 388,727
Licenses and permits	29,331	-	-	29,331
Intergovernmental:				
State supplemental pay	21,955	-	-	21,955
Grants:				
Federal	-	-	411,369	411,369
State	-	16,000	-	16,000
Fines and fees	129,300	-	-	129,300
Service charges	-	26,874	-	26,874
Sale of town property	-	60,000	-	60,000
Miscellaneous	55,312	24,248	-	79,560
Total revenues	<u>347,565</u>	<u>404,182</u>	<u>411,369</u>	<u>1,163,116</u>
Expenditures:				
Current operating:				
Administrative	258,556	111,700	-	370,256
Law enforcement	164,398	-	-	164,398
Sewer	-	46,186	-	46,186
Capital outlays	-	113,661	-	113,661
Project expenditures	-	-	411,369	411,369
Total expenditures	<u>422,954</u>	<u>271,547</u>	<u>411,369</u>	<u>1,105,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,389)</u>	<u>132,635</u>	<u>-</u>	<u>57,246</u>
Other financing sources (uses):				
Insurance loss recovery	-	-	-	-
Operating transfers in	190,942	-	-	190,942
Operating transfers out	-	(113,257)	-	(113,257)
Total other financing sources	<u>190,942</u>	<u>(113,257)</u>	<u>-</u>	<u>77,685</u>
Net changes in fund balance	115,553	19,378	-	134,931
Fund balance at beginning of year, as previously reported	256,168	751,456	20	1,007,644
Prior Period Adjustment (Note 11)	10,218	-	(20)	10,198
Fund balance at beginning year, restated	266,386	751,456	-	1,017,842
Fund balance at end of year	<u>\$ 381,939</u>	<u>\$ 770,834</u>	<u>\$ -</u>	<u>\$ 1,152,773</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental
Funds to the Governmental Activities in the Statement of Activities
For the Year Ended December 31, 2010

Net change in fund balances - total governmental funds	\$	134,931
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$181,014) exceeds capital outlays (\$113,661) in the current period		(67,353)
Because some property taxes will not be collected for several months after the Town's fiscal year ends, they are not considered as "available" revenues in the governmental funds. However, they are recorded as revenue in the statement of activities when assessed.		(6,419)
Governmental funds report fixed assets as expenditures when incurred, and report the sales price of fixed assets as revenue. However, in the statement of activities, the cost of the fixed asset is deducted from the sales price and the net gain is shown as revenue.		
Cost of assets sold		(25,059)
Governmental funds report bond issuance costs as an expenditure when incurred. However, in the statement of activities, bond issuance costs are allocated over the term of the bond issue.		(407)
Change in net assets of government activities.	\$	<u>35,693</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Statement of Net Assets Proprietary Fund December 31, 2010

	Business-type Activities <u>Enterprise Fund</u> Water Fund
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 161,239
Receivables (Net)	74,442
Total current assets	<u>235,681</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	30,339
Investments	141,478
Property, plant and equipment (net of accumulated depreciation)	365,246
Total noncurrent assets	<u>537,063</u>
Total assets	<u>772,744</u>
<u>Liabilities and Fund Equity</u>	
Current liabilities (payable from current assets):	
Accounts payable	1,268
Due to other funds	31,676
Total current liabilities (payable from current assets)	<u>32,944</u>
Current liabilities (payable from restricted assets):	
Deposits	46,130
Total liabilities	<u>79,074</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	365,246
Restricted for customer meter deposits	15,791
Unrestricted	312,633
Total net assets	<u>\$ 693,670</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

**Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended December 31, 2010**

	Business-type Activities Enterprise Fund Water Fund
Operating revenues:	
Charges for services	\$ 589,883
Other	16,562
Total operating revenues	<u>606,445</u>
Operating expenses:	
Personal services	197,870
Repairs and maintenance	29,459
Supplies and materials	73,662
Chemicals	49,735
Depreciation	47,583
Insurance	12,134
Utilities	19,905
Total operating expenses	<u>430,348</u>
Operating income	<u>176,097</u>
Non-operating revenues:	
Interest income	9,662
Grants	-
Total non-operating revenues	<u>9,662</u>
Net income before contributions and transfers	<u>185,759</u>
Transfers:	
Transfers in	44,740
Transfers out	(122,425)
Change in net assets	<u>108,074</u>
Total net assets, beginning, as previously reported	455,038
Prior period adjustments	<u>130,558</u>
Total net assets - beginning, restated	<u>585,596</u>
Total net assets - ending	<u>\$ 693,670</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2010**

	Business-type Activities Enterprise Fund
	Water Fund
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 616,573
Payments to suppliers	(274,751)
Other revenue	16,562
Net Cash Used by Operating Activities	<u>358,384</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from other funds	44,740
Transfers to other funds	(122,425)
Net Cash Provided by Noncapital Financing Activities	<u>(77,685)</u>
Cash Flows from Capital and Related Financing Activities:	
Capital grants	-
Acquisition and construction of capital assets	(44,740)
Net Cash Provided by Capital and Related Financing Activities	<u>(44,740)</u>
Cash Flows from Investing Activities:	
Increase in Investments	(131,925)
Net Cash Provided by Investing Activities	<u>(131,925)</u>
Net Increase (Decrease) in Cash and Cash Equivalents:	104,034
Cash and Cash Equivalents, Beginning of Year	87,544
Cash and Cash Equivalents, End of Year	<u>\$ 191,578</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2010**

	Business-type Activities Enterprise Fund
	Water Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income	\$ 176,097
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Prior Period Adjustment	130,558
Depreciation expense	47,583
Increase in customer deposits	1,355
(Increase) decrease in accounts receivable	26,690
(Increase) decrease in prepaid expenses	11,292
Increase (decrease) in accounts payable	(18,122)
Increase (decrease) in due to other funds	(14,710)
Increase (decrease) in accrued expenses	(2,359)
Total adjustments	182,287
Net Cash Provided (Used) by Operating Activities	<u>\$ 358,384</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

Introduction:

The Town of Oil City, Louisiana (Town) was incorporated in 1945 under the provisions of the Lawrason Act. The Town is located in Caddo Parish in Northwest Louisiana.

The Town operates under the Mayor-Board of Aldermen form of government. Elected officials of the Town consist of the mayor and five (5) aldermen who are each elected to four-year terms. The affairs of the Town are conducted and managed by the mayor and the board of aldermen.

The accompanying financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to the governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. GAAP as applicable to governments also conforms to the requirements of Louisiana R.S. 24:517 and the guides set forth in the *Louisiana Municipal Audit and Accounting Guide* and to the industry guide, *Audits of State and Local Government Units*, published by the American Institute of Certified Public Accountants.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Town is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes of set rates or charges, or issue bonded debt.

1. Summary of Significant Accounting Policies:

The accounting and reporting framework and the more significant accounting policies of the Town are described as follows:

Reporting Entity -

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (primary government) is financially accountable if it appoints a voting majority of the organizations governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has oversight of other component units that are discretely presented in a separate column in the government-wide financial statements.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
December 31, 2010

I. Summary of Significant Accounting Policies (Continued):

Reporting Entity - (Continued):

Discretely Presented Component Units

Lakeview Memorial Gardens

The Town, by ordinance, formed a cemetery board and transferred operation of the Lakeview Memorial Gardens. All members of the cemetery board are appointed by the mayor and board of aldermen of the Town of Oil City. The cemetery is governed by the State Laws Governing Cemetery Boards, R.S 8:451-467 and Act 417 of 1974, which regulate setting up Trust Funds for Perpetual Care.

Basis of Presentation

The accompanying basic financial statements of the Town have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Town's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Fund Accounting

The Town uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The funds of the Town are classified into two categories: governmental and proprietary.

Governmental Funds:

Governmental funds account for all or most of the Town's general activities. These funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources, which may be used to finance future period programs or operations. The following are the Town's governmental funds:

General Fund - The General Fund is the primary operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

1. *Summary of Significant Accounting Policies (Continued):*

Fund Accounting - (Continued):

Special Revenue Fund (Sewer Fund) - The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Fund accounts for the collection of property taxes and fees. These funds are used to provide sewer service to the citizens of the Town of Oil City.

Capital Project Fund (LCDBG Fund) - The Capital Project Fund accounts for all financial resources used for the acquisition or construction of projects primarily financed by a Community Development Block Grant.

Enterprise Funds:

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise fund is:

Water Fund - The Water fund is used to account for the provision of water services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements (GWFS)

The statement of net assets and the statement of activities display information about the Town and its component unit. These statements include all the financial activities of the Town. Information contained in these statements reflects the "economic resources" measurement focus and the accrual basis of accounting. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

1. *Summary of Significant Accounting Policies (Continued):*

Measurement Focus, Basis of Accounting and Financial Statement Presentation - (Continued)

exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment of the Town's activities is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The town does not allocate indirect expenses to functions in the statement of activities. Program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues included in the statement of activities are (1) derived directly from charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, (2) operating grants and contributions, and (3) capital grants and contributions. For identifying to which function program revenue pertains, the determining factor for charges for services is which functions the revenues are restricted. Revenues not classified as program revenues are presented as general revenues, which include ad valorem taxes, sales taxes, franchise taxes, interest, and other items not properly included in program revenues.

Fund Financial Statements (FFS)

The fund financial statements report financial information by major and nonmajor funds. The emphasis of fund financial statements is on major governmental funds, each of which is displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent (10%) of the corresponding total for all funds of that category or type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent (5%) of the corresponding total for all government and enterprise funds combined.
- c. The Town's management believes that the fund is particularly important to the financial statement users.

The Town considers the General Fund, the Special Revenue fund, and the Water Fund to be "major funds".

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

I. Summary of Significant Accounting Policies (Continued):

Measurement Focus, Basis of Accounting and Financial Statement Presentation - (Continued)

Fund Financial Statements (FFS) (Continued)

Governmental Fund Financial Statements- The amounts reflected in the governmental fund financial statements are accounted for using the "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. When the "current financial resources" measurement focus is used, amounts recorded as assets exclude capital assets and the acquisition of capital assets is treated as an expenditure. Furthermore, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as an other financing source and repayment of long-term debt is reported as expenditure. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Town's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined; and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collectible within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred.

The governmental funds use the following practices in recording revenues and expenditures:

Sales tax revenues are recorded in the period in which the underlying exchange has occurred.

Fines, forfeitures and fees are recognized in the period they are collected by the Town.

Interest earnings on deposits are recorded when credited to the town.

Ad valorem taxes are recorded in the year the taxes are assessed. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Ad valorem taxes become delinquent if not paid by December 31. The taxes are generally collected in December of the year assessed and January and February of the ensuing year.

Revenue from federal and state grants is recognized when all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the year when use is first permitted; matching

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
December 31, 2010

I. *Summary of Significant Accounting Policies (Continued):*

Measurement Focus, Basis of Accounting and Financial Statement Presentation - (Continued)

Fund Financial Statements (FFS) (Continued)

requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to the Town on a reimbursement basis.

The revenues susceptible to accrual are sales taxes, property taxes, franchise taxes, grants and charges for services. Substantially all other revenues, including fines, permits, and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are generally recognized under the modified accrual basis when a liability is incurred.

Salaries and related benefits are recorded when employee services are provided to the Town.

Purchases of various operating supplies are recorded as expenditures in the accounting period in which they are purchased.

Commitments under construction contracts are recognized as expenditures when carried by the contractor.

Purchases of capital assets in the governmental funds are recorded as expenditures when purchased. Governmental fund capital assets are reported at cost, net of accumulated depreciation, only in the government-wide financial statements.

Transfers between funds that are not expected to be repaid, sales of assets, proceeds from the sale of bonds, capitalized leases, compensation for the loss of assets, and the proceeds from accrued interest on the sale of bonds are accounted for as other financing sources (uses) in the statement of revenues, expenditures, and changes in fund balance. These other financing sources (uses) are recognized at the time the underlying events occur.

Proprietary Fund Financial Statements - The financial statements of the proprietary fund are reported using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (Continued):

The amounts reflected in the proprietary fund financial statements use the accrual basis of accounting. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund equity is classified as net assets.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits and short term, highly liquid investments with original maturities of 90 days or less when purchased. Investments are interest-bearing time deposits with original maturity dates in excess of 90 days when purchased. Investments are stated at cost, which approximates market value.

The Town's investments comply with Louisiana Statutes (I.S.A R.S. 33:2955). Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local Louisiana governments are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana which operates a local government investment pool.

Receivables

In the government-wide financial statement, receivables consist of all revenues earned at year-end and not yet received. Major receivables for the governmental activities include sewer fees, franchise taxes, sales and use taxes, interest, and property tax revenues. Receivables for the proprietary fund consist of charges for customer services and interest. The Town uses the allowance method to account for bad debts for property taxes and customer water service receivables. Under this method, an estimate is made of the expected bad debts included in the year-end receivables. The provision for bad debts is recorded as a current expenditure with a corresponding increase to the allowance for doubtful accounts. Accounts receivable are reported in the financial statements net of the allowance account. Subsequent charge-offs or recoveries of specific accounts respectively decrease or increase the allowance account.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid expenses.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements December 31, 2010

1. *Summary of Significant Accounting Policies (Continued):*

Interfund Balances (Due from/to Other Funds)

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and due from other funds". These receivables and payables are classified as due from/to other funds in the fund financial statements.

Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the government-wide statement of net assets.

Resources belonging to particular funds are commonly shared with other funds that need to access to additional resources. When resources are provided without the expectation of repayment, the transaction is reported as a transfer and is treated as a source of income by the recipient fund and as an expenditure by the providing fund.

Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, lighting, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In accordance with GASB Statement No. 34, because of the costs involved in retroactively capitalizing infrastructure, the Town has elected an exception for local governments with annual revenues of less than \$10 million and will prospectively capitalize infrastructure from the date of implementation of GASB Statement 34 forward and will not retroactively capitalize infrastructure. The Town does not capitalize historical treasures or works of art.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives depending upon the expected durability of the particular asset:

Description	Estimated Lives
Buildings	20-40 years
Equipment	5-20 years
Sewer improvements	40 years

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies (Continued):

Refundable Deposits

The Water Fund of the Town requires customers to place a deposit before service is rendered. These monies are considered restricted and are held until the customer discontinues service.

Deferred Revenues

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Town receives resources before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria have been met or the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Compensated Absences

The Town of Oil City has the following policy relating to vacation and sick leave:

Vacation - Employees are entitled to five days after one continuous year of service; ten days after two continuous years of service and thereafter. Vacation days must be used in the calendar year of entitlement. Unused days lapse as of December 31 each year and do not accrue.

Sick leave - limited to ten days at full pay. Days must be used within the calendar year and do not accrue.

The cost of current leave privileges is recognized as current-year expenditure in the governmental funds, when leave is actually taken.

Restricted Assets

The Enterprise Fund restricts customer deposits. These amounts have been restricted by contractual agreement as security for services provided by the Town to the water customers. Upon termination of service, the town is required to refund the deposits to the customer.

Fund Equity

In the government-wide financial statements equity is classified as net assets and reported in three components:

- a. Invested in capital assets, net of related debt - consist of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

1. *Summary of Significant Accounting Policies (Continued):*

- b. Restricted net assets - consists of net assets with constraints placed on the use by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - consists of all other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the event that the Town, for the same function or purpose, receives restricted and unrestricted monies, the policy is to first apply restricted resources when an expenditure is incurred.

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved (portions of fund equity not available for appropriation or are legally restricted by outside parties for a specified purpose) or unreserved, with unreserved segregated between designated (portions of fund balance which represents management's plans which are subject to change) and undesignated. Proprietary fund equity is classified the same as in the government-wide financial statements.

Statements of Cash Flows

For the purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Interfund Transactions

Quasi-external transactions, if any, are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions to expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

Property Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Caddo Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property taxes levied for the current year are recognized as revenues, even though a portion is collectible in the period subsequent to the levy, when levied in the government-wide financial statements and are recognized to the extent that they result in current financial resources in the fund financial statements.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements December 31, 2010

I. Summary of Significant Accounting Policies (Continued):

Property Tax Calendar

Assessment date	January 1, 2010
Levy date	Not later than June 1, 2010
Tax bills mailed	November 15, 2010
Total taxes are due	December 31, 2010
Penalties and interest are added	January 1, 2011
Lien date	No set policy
Tax sale - 2010 delinquent property	No set policy

The Caddo Parish Tax Assessor establishes assessed values each year on a uniform basis at the following ratios to fair market value:

10%	Land
10%	Residential Improvements
15%	Industrial Improvements
15%	Machinery
15%	Commercial Improvements
25%	Public Service Properties - excluding land

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Accrual results could differ from those estimates.

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Town carries commercial insurance for the risk of loss, including automobile liability, general liability, property damage, workers compensation, errors and omissions, and surety bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

2. *Cash and Cash Equivalents and Investments:*

Cash and Cash Equivalents:

At December 31, 2010, the Town had cash and cash equivalents (book balances) totaling \$461,613 as follows:

Cash on hand	\$ 375
Demand deposits	<u>461,238</u>
	<u>\$ 461,613</u>

Investments:

At December 31, 2010, the Town had investments (bank balances) totaling \$1,163,553 as follows:

Time deposits	<u>\$ 1,163,553</u>
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These deposits with financial institutions are stated at cost, which approximates market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Town's name.

The cash equivalents and investments of the Town are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover its deposits. At year end, the Town had collected bank balances of \$2,283,970, which were protected by \$617,247 of federal depository insurance, \$215,975 of national credit union share insurance, and pledged securities held by the custodial banks in the name of the Town.

Interest Rate Risk: The Town's certificates of deposit have maturities of eighteen months or less which limits exposure to fair value losses arising from rising interest rates.

Credit Risk: The Town's investments comply with Louisiana Statutes (LSA R.S. 33:2955. Under state law, the Town may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Town may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

3. *Property Taxes:*

For the year ended December 31, 2010, taxes of 18.00 mills were levied on property with assessed valuations totaling \$3,471,600 and were dedicated as follows:

Sewerage and streets	14.00 mills
General fund operations	4.00 mills

Town taxes levied were \$58,297.

4. *Receivables:*

As of December 31, 2010, receivables consisted of the following:

	General Fund	Revenue Fund	Water Fund	Total
Property taxes	\$ -	\$ 14,814	\$ -	\$ 14,814
Sales tax	-	10,904	-	10,904
Franchise taxes	18,373	-	-	18,373
Beer tax	792	-	-	792
Service charges	-	-	102,352	102,352
Less allowance for uncollectible	-	-	(27,910)	(27,910)
	<u>\$ 19,165</u>	<u>\$ 25,718</u>	<u>\$ 74,442</u>	<u>\$ 119,325</u>

5. *Due From/To Other Funds and Operating Transfers:*

Amounts due from and to other funds as reported in the fund financial statements at December 31, 2010, are as follows:

Fund	Due To/From Other Funds
General Fund	\$47,040
Special Revenue Fund	11,007
Special Revenue Fund	(26,371)
Water Fund	(31,676)
Total	<u>\$ -</u>

In the ordinary course of business, the Town routinely transfers resources between its funds. Transfers are used to (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expend them, and (2) use unrestricted revenues to finance various programs accounted for in other funds in accordance with budgetary authorizations.

		Amount
General Fund	Transfers In	\$ 190,942
Special Revenue Fund	Transfers Out	(113,257)
Water Fund	Transfers In	44,740
Water Fund	Transfers Out	(122,425)
Net Transfers		<u>\$ -</u>

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements December 31, 2010

6. *Capital Assets:*

Capital assets and depreciation activity as of and for the year ended December 31, 2010 for the Town is as follows:

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 165,459	\$ 10,000	\$ (25,059)	\$ 150,400
Construction in Progress - Wastewater Treatment	39,360	-	-	39,360
Total capital assets not being depreciated	204,819	10,000	(25,059)	189,760
Capital assets being depreciated:				
Buildings and structures	2,107,420	-	-	2,107,420
Improvements	2,545,295	66,661	-	2,611,956
Equipment	446,273	37,000	-	483,273
Total capital assets being depreciated	5,098,988	103,661	-	5,202,649
Less accumulated depreciation for:				
Buildings and structures	975,705	72,605	-	1,048,310
Improvements	1,320,735	64,368	-	1,385,103
Equipment	346,463	44,041	-	390,504
Total accumulated depreciation	2,642,903	181,014	-	2,823,917
Total capital assets, net	<u>\$ 2,660,904</u>	<u>\$ (67,353)</u>	<u>\$ (25,059)</u>	<u>\$ 2,568,492</u>

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements December 31, 2010

6. Capital Assets (Continued):

	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Buildings and structures	130,374	-	-	130,374
Equipment	196,044	-	-	196,044
Water plant	26,533	-	-	26,533
Water system	19,248	44,740	-	63,988
Total capital assets being depreciated	372,199	44,740	-	416,939
Less accumulated depreciation for:				
Buildings and structures	724	4,346	-	5,070
Equipment	8,036	40,826	-	48,862
Water plant	221	1,327	-	1,548
Water system	129	1,084	-	1,213
Total accumulated depreciation	9,110	47,583	-	56,693
Total capital assets, net	\$ 368,089	\$ (2,843)	\$ -	\$ 365,246
	Balance January 1, 2010	Additions	Deletions	Balance December 31, 2010
Component Unit:				
Capital assets not being depreciated:				
Construction in Progress	\$ 30,775	\$ -	\$ -	\$ 30,775
Total capital assets being depreciated	30,775	-	-	30,775
Total capital assets, net	\$ 30,775	\$ -	\$ -	\$ 30,775

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

7. Commitments and Contingencies:

Lawsuits

Various claims and lawsuits are pending against the Town. Legal counsel opines that it is impossible to estimate the possible exposure, if any, of the Town at this time; however, no claims or pending litigation are expected to result in a significant liability to the Town which is not considered coverable by insurance.

Grant Audit

The Town participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

8. Related Party Transactions:

Procedures, observations and inquiries did not disclose any material related party transactions for the fiscal year ended December 31, 2010.

9. On-Behalf Payments:

The Town received a total of \$21,955 in police supplemental pay from the State of Louisiana. The Town is responsible for withholding taxes from these employees and paying the Town's matching portion of social security taxes for the amount of supplemental pay received. The Town must recognize this supplemental pay received by the employees as revenues and expenditures. The revenue is reported in the general fund under intergovernmental revenues and the expenditure is reported in law enforcement expenditures.

10. Grant Proceeds:

The Town has issued Sewer Revenue Bonds, Series 2009 in the amount \$700,000. These bonds were purchased by the Louisiana Department of Environmental Quality through the Municipal Facilities Revolving Loan Fund. The purchase price of the bonds will be paid to the Town by the Department of Environmental Quality in installments upon submission of requisitions for qualified costs and expenses. The Department of Environmental Quality has agreed to forgive 100% of the indebtedness represented by the bonds. Upon the forgiveness of each draw on the bonds under terms of the Loan Agreement, the proceeds are reclassified as grant income. Grant revenue and expenditures under this Agreement totaled \$411,369 respectively.

TOWN OF OIL CITY, LOUISIANA

Notes to the Financial Statements

December 31, 2010

11. Prior Period Adjustments:

Adjustments were made to beginning fund balances as follows for errors in the prior year that were deemed to be material:

	<u>General</u>	<u>Proprietary</u>
Cash	\$ (29,142)	\$ 155,422
Grants Receivable	39,360	-
Allowance for Doubtful Accounts	-	(24,864)
Total	<u>\$ 10,218</u>	<u>\$ 130,558</u>

TOWN OF OIL CITY, LOUISIANA

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (GAAP Basis) - Governmental Funds General Fund For the Year Ended December 31, 2010

	Budgeted Amounts Original	Actual	Variance With Budget Positive (Negative)
Revenues:			
Taxes	\$ 123,474	\$ 111,667	\$ (11,807)
Licenses and permits	35,500	29,331	(6,169)
Intergovernmental:			
State supplemental pay	16,000	21,955	5,955
Fines and fees	98,000	129,300	31,300
Miscellaneous	9,620	55,312	45,692
Total revenues	<u>282,594</u>	<u>347,565</u>	<u>64,971</u>
Expenditures:			
Current operating:			
Administrative	235,554	258,556	(23,002)
Law enforcement	198,730	164,398	34,332
Capital outlays	-	-	-
Total expenditures	<u>434,284</u>	<u>422,954</u>	<u>11,330</u>
Excess (deficiency) of revenues	<u>(151,690)</u>	<u>(75,389)</u>	<u>76,301</u>
Other financing sources (uses):			
Operating transfers in	136,964	190,942	53,978
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>136,964</u>	<u>190,942</u>	<u>53,978</u>
Net change in fund balance	(14,726)	115,553	130,279
Fund balance at beginning of year, restated (Note 11)	266,386	266,386	-
Fund balance at end of year	<u>\$ 251,660</u>	<u>\$ 381,939</u>	<u>\$ 130,279</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (GAAP Basis) - Governmental Funds Special Revenue Fund For the Year Ended December 31, 2010

	Budgeted Amounts Original	Actual	Variance With Budget Positive (Negative)
Revenues:			
Taxes	\$ 235,000	\$ 277,060	\$ 42,060
Service charges	44,575	26,874	(17,701)
Intergovernmental	-	16,000	16,000
Sale of Town property	-	60,000	60,000
Miscellaneous	8,000	24,248	16,248
Total revenues	<u>287,575</u>	<u>404,182</u>	<u>116,607</u>
Expenditures:			
Current operating:			
Administrative	307,346	111,700	195,646
Sewer	30,000	46,186	(16,186)
Capital outlay	80,000	113,661	(33,661)
Total expenditures	<u>417,346</u>	<u>271,547</u>	<u>145,799</u>
Excess (deficiency) of revenues over (under) expenditures	(129,771)	132,635	262,406
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(20,235)	(113,257)	(93,022)
Total other financing sources (uses)	<u>(20,235)</u>	<u>(113,257)</u>	<u>(93,022)</u>
Net change in fund balance	(150,006)	19,378	169,384
Fund balance at beginning of year	751,456	751,456	-
Fund balance at end of year	<u>\$ 601,450</u>	<u>\$ 770,834</u>	<u>\$ 169,384</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OIL CITY, LOUISIANA

Schedule of Mayor and Aldermen's Compensation For the Year Ended December 31, 2010

The schedule of compensation paid to the mayor and the aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general government expenditures of the General Fund. During 2010, the following amounts were paid to the Mayor and Aldermen:

Honorable J. C. Dickey, Jr. - Mayor's Salary	\$ 12,000
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Aldermen per diem:

James Clifton, Sr.	\$ 1,100
Sharon Emmons	1,250
Donnie Jackson	1,300
James Sims	1,400
Michael Hensley	-
	<u>\$ 5,050</u>
	<u>\$ 17,050</u>

The current elected officials:

J. C. Dickey, Jr. - Mayor

James Clifton, Sr.
Sharon Emmons
Donnie Jackson
James Sims
Michael Hensley

Office expiration date:

December 31, 2012

December 31, 2012
December 31, 2012
December 31, 2012
December 31, 2012
December 31, 2012

TOWN OF OIL CITY, LOUISIANA

**Discretely Presented Component Unit -
Statement of Net Assets
December 31, 2010**

	<u>Assets</u>	<u>Lakeview Cemetery</u>
Current assets:		
Cash		\$ 18,271
Investments, at cost		175,914
Receivables (net, where applicable, of allowances for uncollectible accounts)		-
Total current assets		<u>194,185</u>
Noncurrent assets:		
Property, plant and equipment (net of accumulated depreciation)		<u>30,775</u>
Total assets		<u>224,960</u>
	<u>Net Assets</u>	
Invested in capital assets, net of related debt		30,775
Unrestricted		<u>194,185</u>
Total net assets		<u><u>\$ 224,960</u></u>

TOWN OF OIL CITY, LOUISIANA

Discretely Presented Component Unit -
Statement Activities
For the Year Ended December 31, 2010

	<u>Lakeview Cemetery</u>
Program Expenses:	
Cemetery operation and maintenance	<u>\$ 9,100</u>
Program Revenues:	
Operating contributions	<u>487</u>
Net Revenues	(8,613)
General Revenues:	
Lot sales	5,100
Miscellaneous	<u>679</u>
Total General Revenues	<u>5,779</u>
Change in Net Assets	(2,834)
Net assets, beginning of year	<u>227,794</u>
Net assets, end of year	<u><u>\$ 224,960</u></u>



Marsha O. Millican

A PROFESSIONAL ACCOUNTING CORPORATION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable J.C. Dickey, Jr., Mayor
and Members of the Board of Aldermen
Town of Oil City, Louisiana

I have audited the financial statements of Town of Oil City, Louisiana as of and for the year ended December 31, 2010, and have issued my report thereon dated July 6, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Oil City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected on a timely basis. I consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding #2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Oil City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

810 WILKINSON
SHREVEPORT, LA 71104-3036
(318) 221-3881
FAX: (318) 221-4641

This report is intended solely for the information and use of management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Mark D. Millman

Certified Public Accountant
July 6, 2011

Town of Oil City, Louisiana

Corrective Action Taken on Prior Year Findings

Year Ended December 31, 2010

FINDING #2009-1: The Town's audit report was not filed with the Legislative Auditor within the time frame required by state law.

STATUS: Resolved.

FINDING #2009-2: The Town has no written record of the assets transferred by the Waterworks District No. 1 of Caddo Parish to the Town.

STATUS: Partially resolved. Subsequent to year end, the Town engaged a professional to perform an appraisal of the assets transferred by the Waterworks District to the Town.

FINDING #2009-3: The Town was not in compliance with the state budget law.

STATUS: Resolved.

FINDING #2009-4: Town receipts are not deposited on a daily basis.

STATUS: Resolved.

FINDING #2009-5: The Town paid for advertising for a school without a cooperative endeavor agreement.

STATUS: No longer applicable.

FINDING # 2009-6: The segregation of duties is inadequate.

STATUS: Unresolved.

FINDINGS 2009-7: The Town was unable to provide a current detail listing of outstanding certificates of deposit.

STATUS: Resolved.

TOWN OF OIL CITY, LOUISIANA.

Schedule of Findings and Questioned Costs

December 31, 2010

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. One significant deficiency which is considered to be a material weakness in internal control over financial reporting was disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the Town were disclosed during the audit.

FINDING #2010-1

Criteria: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Recommendation: When financially feasible, additional personnel should be hired and duties segregated whenever possible.

Management's Response: We concur with the finding. We realize the need to segregate duties and will segregate duties as economic and space limitations permit.